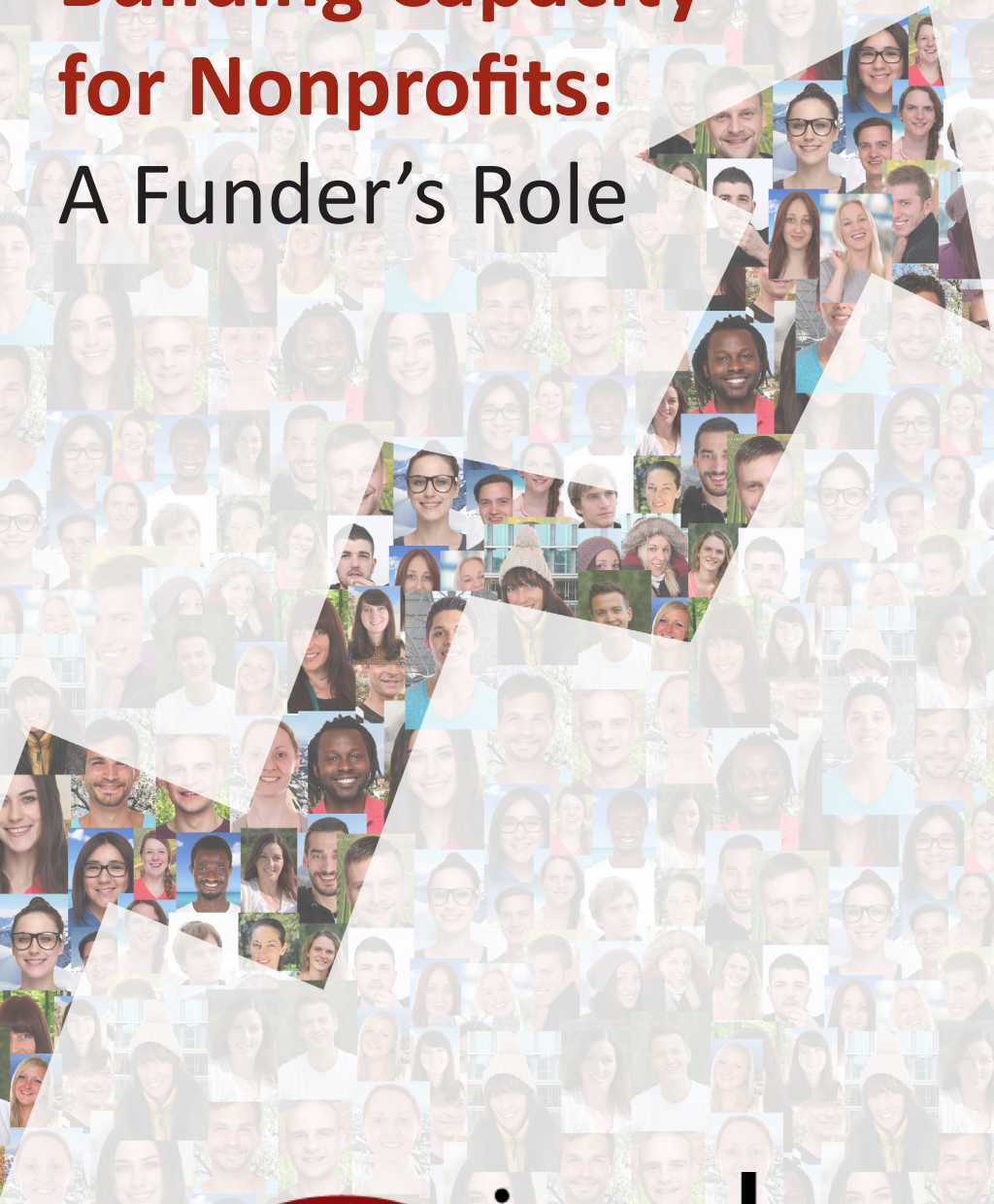
Building Capacity for Nonprofits:

A Funder's Role



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Introduction

Philanthropy is full of buzzwords: *Impact. Scale. Resilience. Leverage. Overhead.* Another that is used frequently but often misunderstood is capacity building. This term is used in funding and nonprofit fields daily, but there is still a lack of understanding about what capacity building truly means for funders and nonprofits. Grantmakers for Effective Organizations (GEO) defines capacity building as, "the funding and technical assistance to help nonprofits increase specific capacities to deliver stronger programs, take risks, build connections, innovate and iterate." GEO has been a champion for capacity building for two decades, but their research indicates funders who are doing this work still have room for improvement, while many others have not engaged in capacity building at all.

Capacity building can come in all different shapes and sizes – just like the nonprofits we support. Some general aspects of capacity building work include:

- **Professional development:** the training of board and staff members to effectively perform their roles and uphold their responsibilities.
- **Technology:** providing the software, hardware, website platforms, equipment, and systems to help a nonprofit streamline processes, manage data and communicate with their stakeholders. This might also include staff training to optimize the use of technology.
- **Planning:** supporting the development of an organization's annual development or strategic plan. Funding might also enable a nonprofit to complete a community needs assessment or hold stakeholder interviews to inform their work.
- **Evaluation:** funding organizational assessments and evaluation to ensure nonprofits are measuring their impact in the most meaningful (and efficient) ways.
- **Collaboration:** providing support for nonprofit collaborations to do work together. This could include funding a backbone organization, providing meeting space, or even funding the time nonprofit partners spend meeting together to work toward common goals.
- **Internal operations:** improvements to financial or volunteer management systems.

As you can see, the term *capacity building* really casts a wide net for funders to consider the needs of their nonprofit partners. Of course, your foundation could choose to focus solely on supporting a specific element of nonprofit capacity building, but this list gives you options to consider as you explore capacity building strategies nonprofits can benefit from.

This guide will help you understand why capacity building might be the right strategy for your foundation and the varied ways you can support nonprofit capacity building. We will also share various considerations to make before beginning this work.

The Case for Capacity Building

If you are not already providing capacity building support for nonprofits, you may be asking, "Why is this the right strategy?" The short answer is, it may not be for all funders. Each foundation has certain restrictions and capacity limitations, which may not lend itself to providing capacity building grants, programs or services. However, if your foundation has the flexibility to be able to provide these important dollars and resources to nonprofits, there are good reasons for why you should. First, donors don't always like to support capacity building. These activities are not always the most glamourous part of the work. It can be a stretch for donors to see the connection between investing in programs by way of investing in people, technology, planning and evaluation. So, one primary reason funders should support capacity building is that they can. In addition, this work will help funders truly understand nonprofit needs and how they can fill gaps that other contributors cannot.

Second, as funders we often ask our grantees about the long-term sustainability of the programs we are funding. If we truly want our nonprofits and their programs to be successful and sustainable, we must invest in the people and systems that help those programs run. There is no better way to support that sustainability than through capacity building. Building the skills of staff, streamlining processes through technology enhancements and helping nonprofits see themselves as integral pieces of the nonprofit sector in their community all help strengthen the long term sustainability and viability of a nonprofit. Finally, capacity building work not only builds the capacity of your nonprofit grantees, but will also strengthen your skills as a grantmaker. You will practice partnership-building and power-sharing, and empathy will ease its way into all areas of your work. Simply put, capacity building will make you a smarter grantmaker, as you understand new contextual realities of the nonprofits you support every day. It's a winning combination for you and your grantees.

Roles Funders Can Play

There are a variety of ways funders can support nonprofit capacity building needs. After reviewing these roles and activities, it might be easier to identify an entry point for your foundation to engage in this work.

Providing Grants

The obvious role funders can play in the capacity building space is to provide grants to nonprofits. Capacity building grant programs are similar to other types of grants programs, but there are a few important elements that should be integrated into your process to make it more successful for your grantees – and for you.

- **Responsiveness**: Capacity building needs are not always easy for nonprofits to predict. Making your capacity building application process simple and straightforward for grantees will make your capacity building dollars more easily accessible and, in turn, you can be more responsive to their needs. In addition, the quicker you can turn out capacity building grant requests, the better. This helps nonprofits meet emerging capacity building needs and apply adaptive strategies to their work.
- **Coaching**: Depending on the type of investment you are making, capacity building grants might require some additional coaching. For example, funding an online database could be as simple as cutting a check, but true capacity building might be providing the funding and, in addition, providing research and insights into what the best database system might be for the nonprofit. Offering this additional support leads to successful outcomes and also creates space for you to work in partnership with your grantee – strengthening your relationship for the future.
- **Flexibility**: Oftentimes, organizations who need the most capacity building support don't have full-time, paid grantwriters – or in some cases paid staff at all. Recognizing this at the outset – and ensuring your grant reviewers do as well – will allow you to be more empathetic and nimble. This will help to ensure your foundation is truly meeting the most important needs for the nonprofits who need it most.
- **Trust**: In order for capacity building grants programs to be successful, funders must develop a level of trust with their grantees. This can be done over several years, or start to develop at the beginning of the capacity building grant cycle. Trust allows funders and grantees to communicate openly and honestly about their needs, their expectations, and when something does not go as planned. Building this trust can also strengthen your other grantmaking cycles and programs.

Delivering Programs and Services

In addition to playing the traditional role of funder, your foundation might also consider providing capacity building programs and services for nonprofits. Again, this can take many forms, so you will want to prioritize your strategies before implementation and be sure you are not trying to be everything to everyone. Here are some ideas to get you started:

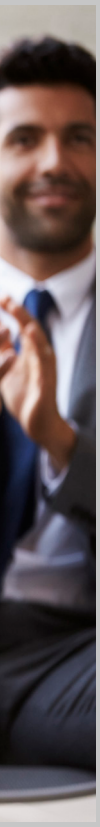
- **Training:** Nonprofits have access to a wealth of information today. Oten times training opportunities are not located in convenient locations and may come with a hefty price tag. Providing training right in your own community is a great way to support multiple grantees at the same time. You can provide training in a variety of ways:
  - Host grantwriting training to help nonprofits understand if their work aligns with your foundation's priorities.
  - Bring nonprofit partners together around the same table to share ideas and educate each other about the work they are doing in the community.
  - Bring a national or regional training directly to your community to provide opportunities that may not otherwise be accessible to nonprofits.
- **Technical assistance:** Your staff likely holds valuable information and resources. Creating space for your staff to spend time with nonprofits and grantees to provide technical assistance and coaching is another capacity building service you can deliver. If your staff does not have the capacity to do this, consider hiring a consultant or a team of consultants to be available for nonprofit technical assistant needs.

Some funders blend these two approaches to provide comprehensive capacity building services for nonprofits. The most important piece of all of this work – whether grants, programs or services – is soliciting feedback from nonprofits. Make sure what you are providing is delivered in a format that is accessible, meeting needs, and truly growing nonprofit capacity.

Pitfalls and Possibilities

The most common pitfall in supporting nonprofit capacity building is, to be frank, when funders choose not to support it at all. The best place to start is by trying one of these ideas in a pilot format and learning a) how it works for you, your board and your staff and b) how it works for the nonprofits you are serving. Be sure to engage them in this review and evaluation process to understand what is and is not working. Adapt your approach and implement again. Repeat.

The possibilities are almost endless when we think of all the activities that fall into the capacity building space. Capacity building can really transform nonprofits in powerful ways, leading to sustainability, greater effectiveness and the potential to scale programs for good. When the nonprofits in your community are strengthened, your portfolio of grants will have greater chances of leading to your intended results.



Bite-Sized Action Steps:

- **Host a focus group conversation with nonprofit partners to determine their capacity building needs.**
- **Run a pilot capacity building grants cycle with a handful of nonprofits you have funded previously.**
- **Provide technical assistance to a nonprofit and ask them for feedback afterward to see if they found it helpful.**
- **Provide a training in your community and survey attendees to see if they were able to implement what they learned.**

Conclusion

While there may be confusion about what is really meant when we say capacity building, funders should not shy away from engaging in this work. As we see more funders entering the capacity building space, we have much to learn from each other and the nonprofits we serve. If you decide to move into this work, be sure to bring other funders in your community along with you. Share your case for supporting these needs, the strategies you are using, the results you are seeing and what you are learning. If more funders begin supporting this critical work, the nonprofits and the field at-large will be strengthened for good.

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